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SUBJECT: TURKEY SCENESETTER FOR CODEL COSTELLO, AUGUST  
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11. (SBU) Summary: Turkey's ruling Justice and Development Party (AKP), which scored a significant victory in recent elections, was given the mandate to form another single-party government. AKP is expected to continue to pursue its economic and political reform policies. On Iraq, Turkey continues to be an essential partner, supporting coalition forces by allowing use of its territory as logistical hub. The single biggest obstacle to bilateral relations is PKK terrorism. Turkey has repeatedly expressed impatience at the lack of U.S. action against PKK terrorists in northern Iraq and has threatened to strike at PKK targets across the border if the U.S. or Iraq does not act. A U.S. Congressional Armenian genocide resolution would likely jeopardize U.S. national security interests in Turkey and Iraq, and complicate the security environment for U.S. citizens and USG personnel and work against those in Turkey calling for a collaborate look at 1915 events. Turkey's economy has achieved five years of GDP growth averaging over 7% -- the highest rate of any OECD country. Because of its strategic location, Turkey aspires to increase its role as an energy transit country by piping natural gas to meet Europe's growing needs, and will soon begin transporting gas from Azerbaijan to Greece. End summary.

ISTANBUL AGENDA

12. (SBU) Transportation and portsafety as well as efficient operation of commercial aircraft repair stations are important issues in Istanbul. Your schedule includes visits to Turkish-government run facilities at the Haydarpasa container port facility and the Ship Traffic Administration and Information System (VTS) for the Turkish straits. At the MNG Maintenance Repair Facility, you will be able to review commercial aircraft repair operations in Istanbul. The Deputy Chief of Mission will brief you on bilateral issues of importance and you will have the opportunity to meet newly-elected Members of Parliament. You will also meet leading members of Istanbul's business community during a meeting with Turkish-U.S. Business Council (TAIK) representatives who work to expand trade and commercial ties with the United States.

MISSION TURKEY

13. (SBU) Mission Turkey consists of four posts: Embassy Ankara, Consulate General Istanbul, Consulate Adana, and a two-person Consular Agency in Izmir. Country-wide, there are currently about 300 American positions and almost 700 locally employed staff (LES) working for over 20 agencies throughout the Mission. The Mission's FY 2007 operating budget was \$30

million. Mission Turkey is scheduled for a New Embassy Compound (NEC), with construction set to begin in 2010.

#### TRANSPORTATION SECURITY/SAFETY

¶4. (SBU) With 7200 km of coastline (compared to 2648 km of land boundaries), port security is important to Turkey, which actively participates in the International Maritime Organization's (IMO) port security and safety programs. Istanbul hosted the most recent session of the IMO's Maritime Safety Committee in November 2006. Turkey's Maritime Undersecretariat and Coast Guard officials cooperate with our Coast Guard liaisons who perform periodic assessments of Turkey's IMO International Ship and Port Security (ISPS) Code compliance, from which Turkish ports have regularly scored high marks. Most of Turkey's major ports have been privatized, and more (including the ports of Mersin and Izmir), have been tendered to begin privatization this year. Turkish maritime officials hope enhanced technology and thus safety and security will result. DHS, State Department and embassy officials are currently in final discussions with the GOT to implement the DHS Container Security Initiative (CSI) at the port of Izmir (a process that has taken several years), from which most goods destined for the United States originate. Turkey is also an active member of the International Civil Aviation Organization (ICAO). Turkish officials have coordinated with U.S. civil aviation officials at ICAO and have supported many of our proposals to enhance aviation safety and security.

#### TRADE

¶5. (SBU) With two-way bilateral trade around \$10 billion,

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roughly in balance between exports and imports, the U.S. is an important trading partner for Turkey. However, about half of Turkey's trade is with the EU, and Turkish trade with the Middle East, African and former Soviet Union countries is growing. As Turkey's total trade volume -- both exports and imports -- grows, the U.S. share in Turkey's trade is declining.

¶6. (SBU) Deepening bilateral economic and business ties is a key priority of the Shared Vision and Structured Dialogue announced by Secretary Rice and Foreign Minister Gul in July 2006. To help catalyze closer economic ties, the U.S. and Turkey held a meeting of the bilateral Economic Partnership Commission (EPC) in February, 2007, co-chaired by the Under Secretary of the Turkish Foreign Ministry and State

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Department Assistant Secretary for Economic, Energy and Business Affairs Daniel Sullivan. The EPC laid out an action plan that both sides are working to implement.

#### ENERGY ISSUES

¶7. (U) Turkey imports nearly all of its oil and natural gas. However, Turkey's strategic location, between Europe and the Middle East and Caspian regions, makes Turkey an important energy transit country. More than 3 million bbl of Caspian oil pass every day through the Bosphorus Straits, and nearly 1 million bbl/d of oil pass through the Baku-Tbilisi-Ceyhan (BTC) pipeline, the first transnational pipeline for Caspian oil that does not cross Russian soil. Turkey aspires to increase its role as an energy transit country by piping natural gas to meet Europe's growing needs. Turkey will soon begin transporting gas from Azerbaijan to Greece; the first time Europe will receive Caspian gas by a non-Russian route. Turkey also aspires to construct the larger Nabucco pipeline to deliver natural gas across Turkey to Austria. The USG supports Nabucco, but only if it is filled with non-Iranian gas from Azerbaijan, Turkmenistan, Kazakhstan and possibly Iraq. Recent Russian announcements that reinforce its hold on Turkmen gas and bypassing Turkey to sell gas to Italy,

spurred Turkey to announce a preliminary MOU with Iran on a future gas deal, which we have protested.

#### HOUSE RESOLUTION ON ARMENIAN GENOCIDE

18. (SBU) The USG has worked hard to encourage a candid discussion in Turkey of the tragedy suffered by ethnic Armenians during World War I. The Turkish and Armenian governments have discussed establishing commissions of academics and historians from Turkey and Armenia to establish the facts, in parallel with efforts to reestablish official bilateral relations. A U.S. Congressional resolution labeling this tragedy a "genocide" would trigger an intensely negative and nationalist response, and would work against those voices in Turkey that are calling for a comprehensive exploration of these events and for normalizing bilateral relations with Armenia.

19. (SBU) A resolution would also have negative consequences for U.S. national security interests in Iraq and elsewhere. Supply routes into Iraq that are crucial to supporting U.S. troops, military overflights and use of Turkish bases that support U.S. military operations in Iraq and Afghanistan could be jeopardized. Additionally, major defense procurement contracts with U.S. manufacturers (with expected and potential sales exceeding \$10 billion) could be scrapped. Agricultural purchases might also be canceled and consumer boycotts could ensue. Anti-Americanism in Turkey would likely intensify, increasing the threat level for U.S. citizens and USG personnel living and working in Turkey.

#### IRAQ/PKK

10. (SBU) For over 22 years, the PKK has conducted a terrorist campaign that has resulted in the deaths of about 37,000 Turks. Increased violence from attacks conducted from strongholds in northern Iraq have killed some 700 in 2006 and 2007 and have prompted the government and military to warn of possible cross-border operations into Iraq. The USG has strongly discouraged this, citing Iraqi sovereignty and the risk of increased instability. The United States has been Turkey's closest ally in the fight against the PKK, securing EU agreement to place the PKK on its list of terrorist organizations; spear-heading Europe-wide effort to close PKK financial, logistical, and media support outlets there; and leading a trilateral (US/TU/IZ) process to stop the threat

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emanating from northern Iraq.

11. (SBU) Iraq remains a major concern for Turkey. Turkey worries about increasing instability in Iraq, growing Iranian influence in the region, and the potential for Iraq to splinter along sectarian or ethnic lines. Turkish political leaders have sought to reinforce Iraq's unity and territorial integrity, and have been among the most active of Iraq's neighbors in the Iraq Neighbors Process.

12. (SBU) Turkey's agreement to the use of its territory as a logistical hub has been a combat multiplier for our Iraq operations. Approximately 3 million gallons per day of gasoline and diesel fuel for the Iraqi people and 25% of sustainment fuel for coalition forces crosses into Iraq through the Ground Line of Communication at Habur Border Gate. Since May 2005 when Turkey approved the use of Incirlik Air Base as a cargo hub to support coalition operations in Iraq, over 152 million pounds of equipment have been shipped to U.S. troops. Over 50% of all air cargo into Iraq has transited the Incirlik cargo hub.

#### EU ACCESSION

13. (U) A double-election year contributed to the GOT's failure to enact reform on some high-profile political issues, even while technical-level EU harmonization continued. Turkish officials are concerned that the EU's

December annual progress report could recommend suspension of additional chapters. The Turkish public, meanwhile, has grown increasingly skeptical of the EU venture, in large part as a reaction to Euro-skepticism of Turkey. AKP, as historically the party most committed to Turkey's EU membership, now has the chance to use its electoral mandate to breathe new life into the process.

#### ELECTION RESULTS

¶14. (U) Turkey's ruling AKP scored a significant victory in July 22 parliamentary elections, returning to power with 46% of the vote, up from 34% in the 2002 election. Two other parties crossed the ten percent election threshold required to enter parliament, along with 26 independent candidates, creating a fractious if more representative legislature. President Sezer gave Prime Minister Erdogan the mandate to form another single-party government on August 6; a new cabinet is expected to be announced soon. With 341 of parliament's 550 seats, AKP returns with a reduced majority and short - on its own - of the 367 seats needed to elect the next president or amend Turkey's military-drafted constitution. The opposition CHP, with 20% of the vote, lost seats in several of its strongholds. Commentators view the results as the opposition's failure as much as AKP's success. The new parliament was sworn in on August 4; election of a Speaker, formation of a new government and election of Turkey's next president will top the agenda.

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